

Axiata's Robi aims to be strong No. 2 player

KUCHING: Axiata Group Bhd's (Axiata) recent briefing on its subsidiary Robi Axiata Ltd (Robi) has reaffirmed most analysts' views on the latter's growth prospects.

Axiata's shares on the Bursa Malaysia rose in trading yesterday, riding high on the positive outlook for its 92 per cent Bangladesh subsidiary. As at closing, the counter added 10 sen to RM7.05 with 4.39 million shares changing hands, after opening one sen higher at RM6.96.

Axiata had last Friday hosted an investor/analyst briefing on Friday, during which the chief executive officer (CEO) and chief financial officer (CFO) of 91.6 per cent-owned Robi shared their views on the telecom industry prospects and regulatory landscape in Bangladesh, as well as the company's strategy and targets.

Among the highlights captured by the research arm of CIMB Investment Bank Bhd (CIMB Research) during the briefing were that there is significant room for future growth, given the user penetration of less than 50 per cent.

Robi also aims to be a strong No.2 player, expanding its share of market revenue from 25 per cent in 2014 to 30 per cent by 2016,

In addition, the research arm noted that capital expenditure (capex)/sales will remain high this year due to the continued 3G network rollout but is expected to fall below 20 per cent in 2016-17.

“The regulatory landscape is challenging but stabilising and beginning to improve,” it added.

The briefing reaffirmed CIMB Research’s optimistic view on Robi’s growth prospects. The research arm thus raised its financial year 2014/15/16 (FY14/15/16) net profit forecasts for Robi by 9.4, 6.5 and 11.4 per cent respectively, factoring in lower effective tax rates and decline in net interest expenses post-2015, when capex intensity falls.”

The research arm also raised its sum of parts-based (SOP-based) target price for Axiata by a slight 1.4 per cent to RM7.20 per share, after its earnings revisions for Robi.

All in, CIMB Research maintained its ‘hold’ rating on Axiata. While it expects earnings growth to rebound in FY15-16 due to the recovery in Celcom and XL, it believes that this has been largely priced in.

Other analysts such as the research arm of Maybank Investment Bank Bhd (Maybank IB Research) reiterated ‘buy’ on Axiata with an unchanged target price of RM7.80 per share.

The research arm found that Robi's contribution to Axiata, while small, has been growing. By its estimates, Robi would account for circa six per cent of Axiata's net profit in 2014. Robi accounts for RM0.20 of its Axiata RM7.80 per share target price.

For now, Maybank IB Research noted that Axiata's investment thesis centres on the turnaround of Celcom (Malaysia) and XL (Indonesia).

The research arm values Axiata on a sum-of-parts, with each operating entity valued using discounted cash flow (DCF).

It noted that Celcom and XL account for RM4.91 and RM1.03 per Axiata share respectively. Its target price implies 22-fold price earnings ratio (PER), 8.9-fold EV/earnings before interest, tax, depreciation and amortisation (EBITDA) and 3.4 per cent net dividend yield in FY15.

The research arm of MIDF Amanah Investment Bank Bhd (MIDF Research) noted that although Robi has been earmarked as one of the main operating companies within the Axiata group which will continue to show encouraging earnings growth, it only contributes less than 10 per cent of the Axiata group earnings as compared to the first nine months of 2014 (9M14) segment operating profits of 8.4 per cent.

As such, the research arm views that the earnings growth potential of Robi would not have a significant impact on the group overall earnings in the near term.

Hence, MIDF Research reiterated its 'neutral' recommendation on the stock. The research arm also maintained its target price of RM6.55 per share.

Its target price is based on nine-fold EV/EBITDA, which is a one standard deviation above its five-year historical average.

Source:

<http://www.theborneopost.com/2015/01/13/axiata-rob-aims-to-be-strong-no-2-player/>